

A SPECIAL REPORT

5 Megatrends Fueling Change in the Food & Beverage Industry

APRIL, 2020 // COVID-19 UPDATE



4 MEGATRENDS FUELING CHANGE
IN THE FOOD & BEVERAGE INDUSTRY



Everybody eats. Everybody drinks. Not everybody eats and drinks the same way they did just 20 years ago. Or even 20 days ago.

IN THE YEAR 2000, cupcakes, comfort food, and Rachel Ray were key indicators of the zeitgeist at the time. Who could have predicted the rising popularity of plant-based burgers that look, smell, and taste like the real thing just 20 years later?

Today's trends in the food & beverage industry are clear and well documented. Whether you're an established brand in this industry or an upcoming product, your survival depends on your ability to

read these trends and tailor your brand, product, and marketing strategies to tap into these rising consumer sentiments.

The following report lifts a wet finger to the wind to predict where this industry is headed. 2019 has proven that change in consumer behavior happens exponentially, and 2020 shows no signs of anything less radical.

Trend
One

1

COVID-19 Disrupts Supply, Demand, and Everything in Between

01

*Supply chain infrastructure meets
unprecedented challenges.*

02

*Survival is the name of the game
for food & beverage brands*

The coronavirus pandemic of 2020 is changing industries, lives, and behaviors at warp speed. The food & beverage industry is not least affected, considering forced restaurant and other non-essential business closings all across the country, and even the world. What will be its lasting impact? As the situation continues to evolve, it's hard to nail down precisely. However, there are a few things that are certain.

LONG-TERM PERIL IN THE SUPPLY CHAIN INFRASTRUCTURE

Pandemics usher in a near immediate response by consumers who reorient their buying habits toward matters of survival. Non-perishables and other essential goods top the list. Sales of powdered milk products surged 84% during the last week of February alone.¹

While consumers can reorient themselves quickly, the supply chain generally follows in slower fashion. Food & beverage brands likely will not expect significant short term disruption in their supply chain, but there is concern that the production of current products will become more difficult and expensive as the impact of coronavirus deepens.

The Consumer Brands Association stated the following in a letter to the US State Department and Trade Representative on March 15th:

In times of pandemics ... essentials include over-the-counter medicines, cleaning and disinfecting agents, personal care products and non-perishable staples," the letter said. "Absent early intervention, Consumer Brands fears that efforts by other countries to restrict the export of base materials, nutritional and food inputs, chemicals



*and other essential manufacturing supplies and ingredients will prevent manufacturers from being able to increase production, ultimately leading to consumers being unable to obtain products that are vital to treating and stopping the spread of COVID-19 and remaining healthy."*²



**FOR THE FORESEEABLE FUTURE,
THE NAME OF THE GAME FOR FOOD
& BEVERAGE BRANDS IS SURVIVAL.**

Normal operations for food & beverage brands have been disrupted, but that doesn't mean they need to be halted entirely. The FDA recently offered some public assurance, stating, "We are not aware of any reports at this time of human illnesses that suggest COVID-19 can be transmitted by food or food packaging."³

**SO, HOW CAN BRANDS STAY ALIVE?
HERE ARE A FEW TIPS.**

Continue cGMP practices — Safety and quality are top-of-mind for consumers right now. By adhering to and communicating quality production standards to the public, brands will continue to feel confident purchasing your products.

Assess food storage options early — With production and distribution disrupted and liable to unpredictable changes, understanding this as early as possible will help food & beverage brands be prepared.

Monitor and adapt to customer demands —

Though it may seem like a slashable expense, now more than ever is the time to invest in marketing. Use social media, surveys, and employee feedback to understand what customers are looking for, and implement an agile framework for your marketing strategy to meet their demands.

As we cover later in this report, food & beverage e-commerce is another critical trend for 2020 that will only grow in importance as social distancing measures persist. Users will start to form new habits the longer these conditions last. Food & beverage brands need to ensure that they are on the inside of this behavior shift, and not watching from the sidelines.

2

A Hunger for More: Consumption with a Purpose

01

Consumers are more likely to buy a food & beverage product that aligns with their values

02

Conversely, consumers will lobby against products that stand in opposition to what they believe in

03

More consumers are buying food & beverage products to improve their health, wellness, or appearance

V

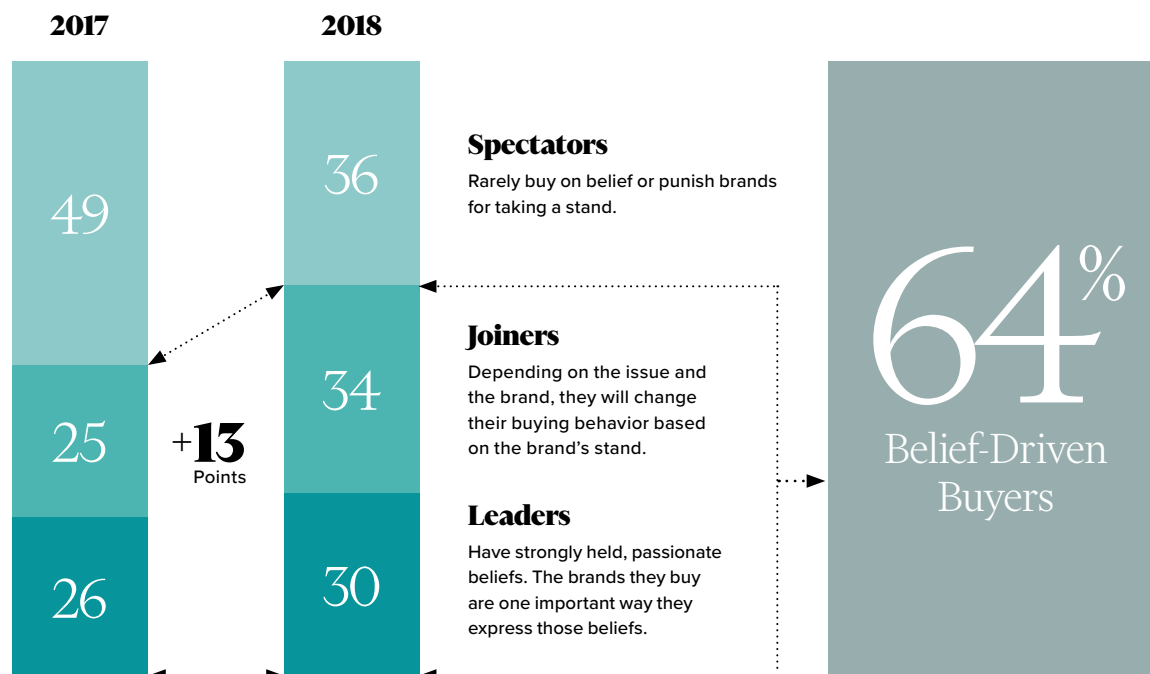
Midway through August 2019, fast food chain Popeyes, a franchise that has struggled financially since 2017¹, released their new chicken sandwich to the public. It's fun to think about if they knew they'd set the world on fire by doing so.

POPEYES NEW SANDWICH RIVALS a list of similar menu items from fast food giants Wendy's, McDonald's and, most notably, Chick-fil-a, whose chicken patty was long considered the best around. But when word spread of Chick-fil-a founder's right-leaning politics, consumers responded. And tweeted. And protested. And boycotted.²

Could Popeyes crispy chicken delight fill the sandwich sized void in so many hearts across America? The internet seems to think so, with one headline from The

New Yorker reading, "The Popeyes Chicken Sandwich is Here to Save America."³ It bears to mention, it actually is a delicious sandwich, too.

This story highlights a changing consumer behavior in the food & beverage industry. Tastiness is still a prerequisite, but we no longer consume to solely satisfy hunger or thirst. Our consumption is tied to the ethos of our tribe. We choose to consume a product that aligns with our values and personal goals, and reject (often vocally) what we see as a threat to them.



SOURCE 2018 Edelman Earned Brand. Belief-driven buying segments. 8-market average.

CONSUMPTION FOR A CAUSE

Cause-based marketing penetrates almost every industry and has been growing for some time. Edelman's 2018 Earned Brand Report cites that the majority of consumers across all ages and all incomes are belief-driven buyers, people who choose, switch, avoid, or boycott a brand based on its stand on societal issues.⁴ The food & beverage industry is no outlier.

Environmental sustainability is maybe the most relevant example of purposeful consumption in this industry today. It has helped fuel the rise of veganism, plant-based protein, and sustainable packaging, which are significant trends in their own right.

Are plant-based burgers really healthy?

Impossible Burgers, which many perceive as a healthier alternative to beef burgers, have exploded in popularity, recently causing a shortage of the product nationwide.⁸ While there are pros and cons to each, Impossible Burgers may not be as nutritionally superior to their beef counterparts as many think.

	The Impossible Burger	Beef Burger
CALORIES	240	240
TOTAL FAT	14 grams	13 grams
CARBS	9 grams	0 grams
PROTEIN	19 grams	29 grams
FIBER	3 grams	0 grams
ADDED SUGAR	Less than 1 gram	0 grams
SODIUM	16% of the Daily Value (DV)	1% of the DV
VITAMIN B12	130% of the DV	48% of the DV
FOLATE	30% of the DV	4% of the DV
THIAMINE	2,350% of the DV	4% of the DV
RIBOFLAVIN	30% of the DV	12% of the DV
NIACIN	35% of the DV	32% of the DV
ZINC	50% of the DV	48% of the DV
IRON	25% of the DV	16% of the DV
SELENIUM	None	36% of the DV

SOURCE <https://www.healthline.com/nutrition/impossible-burger#nutrition>



To zero in on this “green” trend in food & beverage, think about the following statistics:

- *A recent analysis has shown that, while meat and dairy only account for 18% of consumed calories, it produces 60% of agriculture’s greenhouse gases⁵*
- *On average, consumers are willing to pay up to 25% more for foods or beverages that are certified organic or environmentally friendly⁶*
- *Heineken has committed that by 2020, at least 50% of their main raw materials will come from sustainable sources⁷*

While only a snapshot of a big, complex trend, these three statistics help form the story that’s shaping in the minds of today’s consumer. As the story goes, our consumption of meat is harming the environment at a higher rate than our consumption of plants, and we’re willing to spend more to put pressure on brands to address these growing concerns.

A NEW KIND OF “BUZZ” AROUND HEALTH AND WELLNESS

Consumption with a purpose as a trend in food & beverage can point to a purpose beyond self (environmentalism, racial equity, income inequality, etc.), but it can also point to a more personal purpose.

Sure, we could call the rise of CBD, plant-based meats, and non-alcoholic drinks individual trends in the industry. They answer “what.” But the more valuable question we can ask is “why,” and that answer is, because these things offer a perceived benefit to our health, wellness, or physical appearance (“perceived” being an important word).

One example cited by the International Food Information Council Foundation says:

Despite the importance of familiarity, 7 in 10 consumers would be willing to give up a familiar favorite product for one that did not contain artificial ingredients. Of those who would, 4 in 10 would be willing to pay 50% more and 1 in 5 would pay 100% more. That said, there are about 4 in 10 who would pay nothing more for the new product.⁹

According to research by McKinsey, fresh produce and health-oriented packaged goods are growing far faster than all other categories. This will charge both product developers to create healthier products, and brand marketers to design packaging that communicates this value prop clearly and succinctly.¹⁰

3

The Rising Ecommerce Wave

01

*Online food & beverage sales
are on the rise*

02

*Brands need to adapt
customer experience for
the online paradigm*

03

*Individuals with higher incomes
are more likely to shop online*

Have you heard of Amazon? It's a silly question. They sell everything, and they're selling food & beverage products more than ever. Followed only by fellow industry giants, Walmart, Target, and Kroger, Amazon accounted for 32.7% of all online sales in the food & beverage sector in 2018.¹¹

BUT IT'S NOT JUST AMAZON. The shift toward ecommerce in food & beverage sales has commenced worldwide, with sales expected to increase by 80% in the next 5 years.¹²

If you are hoping to grow your brand in today's environment, you cannot ignore your ecommerce market. As early as 2017, 64% of successful companies within the food & beverage industry had developed an ecommerce strategy.¹³ The list of companies includes Ben & Jerry's, DiBruno Bros., and Pilot Coffee Roasters, which all sell their products direct-to-consumer online and offer exclusive deals that can't be found in store or through 3rd party retailers.

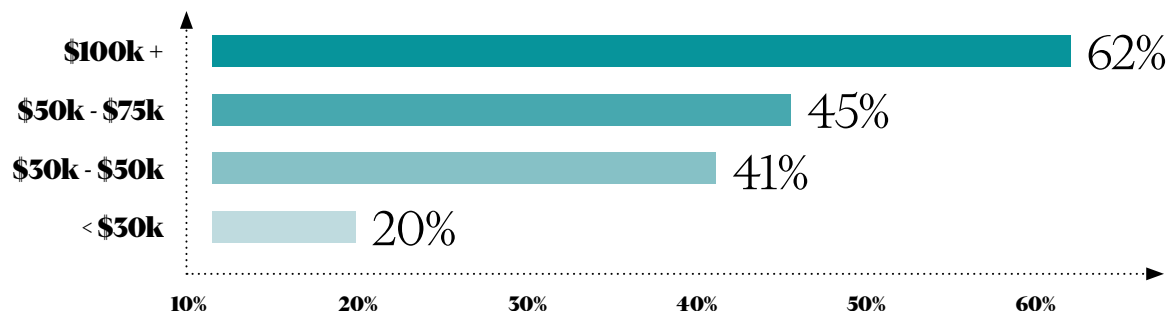
With the shifting tide to ecommerce, however, comes a unique set of opportunities to create a stellar customer experience. Brands must now optimize packaging

for last-mile shipments, improve the overall unboxing experience, and facilitate easy, efficient returns.¹⁰

A GROWING DIVIDE BETWEEN ONLINE SHOPPERS

Ecommerce shopping habits are split by income. 62% of shoppers who earn more than \$100,000 do "a lot" of shopping online. That is flat from a year ago, and up 17 percentage points from 5 years ago. Conversely, only 20% of shoppers with an income below \$30,000 do a significant amount of their buying online. This figure is up 4 percentage points from 5 years ago, but down from 24 percent in 2015.

Do a Lot or Fair Amount of Shopping Online



SOURCE <https://www.cnn.com/2017/12/19/theres-wide-digital-divide-between-high-and-low-income-shoppers.html>

4

A Return to “Simpler Times”

01

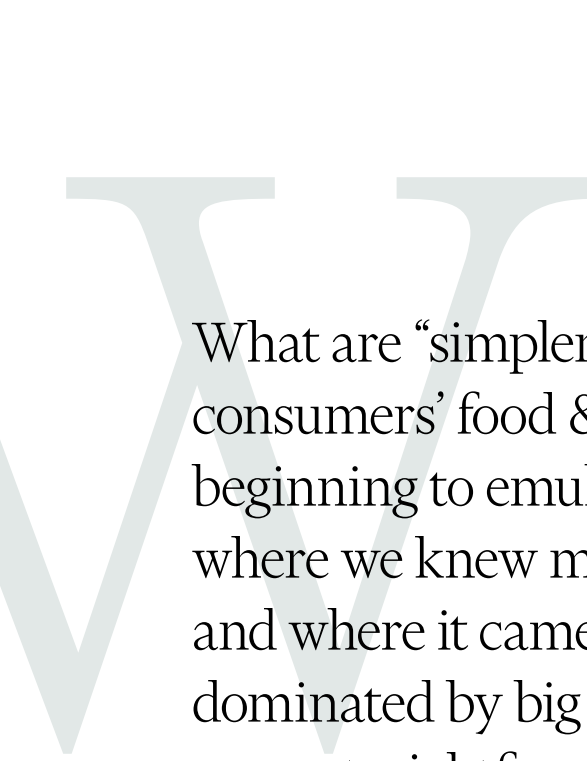
Consumers are demanding food & beverage products with familiar ingredients and fewer of them

02

Buyers appreciate brand transparency and storytelling now more than ever

03

Choice fatigue and consumer confusion are major roadblocks to purchase



What are “simpler times?” Consciously or not, consumers’ food & beverage preferences are beginning to emulate parts of a time in our history where we knew more about what was in our food and where it came from. It was a time that was not dominated by big CPG brands and choices were more straightforward. The rise of Small Business Saturday to counter the mass consumerism of Black Friday is a more explicit manifestation of these preferences.

WHILE NOT NECESSARILY FUELED by nostalgia, this trend is a recalling of the past with a touch of modern flare. The rising culture of food & beverage consumers breaks down into four core tenets. Today’s buyers are:

PREFERRING LOCAL

Millennials are 2.5X more likely than Boomers to prefer shopping at independent and specialty stores over traditional grocery chains.¹⁴

CHOOSING SMALL

Millennials are 3.7X more likely than Boomers to try to avoid buying products from “the big food companies.”¹⁴ Sometimes, that can even mean spending more to support these smaller, more artisanal brands.

RESOLVING CHOICE FATIGUE

80% of consumers come across conflicting info when considering a food & beverage purchase. Of these 80%, 59% say it makes them doubt their choices.¹⁵ So much of Trader Joe’s success rests on this concept. Since the beginning, they have won over customers with their simplicity, offering quality food without shelves upon shelves of brand options.¹⁶

CRAVING SOMETHING NEW

Millennials are 2.8X more likely than Boomers to believe newer brands are usually better or more innovative.¹⁴ Larger, more established CPG brands have increasingly struggled to innovate and tap into the rising sentiments of today’s consumers on their own. This has lead to another trend of larger brands acquiring smaller, rising products instead of investing in their own R&D.¹⁷

5

The Importance of Beautiful, Engaging, & Shareable Experiences

01

Successful food & beverage brands are investing more in omnichannel experiences

02

Attractive, strategic, and intentional branding is a prerequisite for success now more than ever

Sometime around 2017, a popular new phase entered our vocabulary: *The phone eats first*.¹⁸ Part funny, part self-denigrating, and part undeniably real, it speaks to the growing need to photograph our food before eating it, with the intention of sharing it online for our friends to see.

THIS NEW BEHAVIOR comes at a time when solo dining reservations are also increasing rapidly.¹⁹ For food & beverage brands, this spells opportunity. Because of social media, even when consumers are by themselves, they're never really alone; share-worthy food & beverage experiences are often fodder for this continuous connection.

An enormous 75% of people say that they believe unique dining experiences are worth paying more for.²⁰ Food is no longer just food, but an entire experience for its consumers.



19 Crimes. 60% growth.

What if you could use augmented reality to create an immersive and educational wine drinking experience? That's exactly what 19 Crimes accomplished with their "Living Wine Labels" strategy. After downloading the 19 Crimes app, consumers can learn the story of an infamous criminal by pointing their phones towards their bottle of their wine. 19 Crimes' AR strategy helped boost sales volume by 60% and company value by 70% in just one year. How's that for the power of a branded experience?²¹

IMAGE SOURCE <https://www.livingwinelabels.com/>



WHAT MAKES A COMPELLING FOOD & BEVERAGE BRAND?

A strong brand is more important than ever to fight through the clutter of the food & beverage industry. When defining a brand, these are the elements that are necessary for success:

- **Mission:** *What is the larger purpose behind your product?*
- **Vision:** *Where do you see your brand heading?*
- **Values:** *What does your brand stand for?*
- **Logo:** *What is the visual identity?*
- **Packaging design:** *How does your packaging look, and what material is it made from?*
- **Voice & Tone:** *How does your brand sound when communicating with your audience?*
- **Promise:** *What experience will you assure your customers will consistently receive?*

SOME TIPS FOR A WINNING RECIPE

First come insights, then come actions. If you work in the food & beverage industry, these quick tips will help you stay ahead of these megatrends documented here.

Develop an omnichannel marketing strategy. With more food & beverage purchases happening online, more consideration needs to be placed on how consumers interact with your brand across all channels – digital, social, brick & mortar, etc.

Create a rich, intentional brand identity. A brand is so much more than a logo. It is your values, your mission, your tone and voice, and your personality wrapped up in one cohesive identity.

Align your brand with a worthy cause. With more and more consumers making purchases that serve a larger purpose, building a brand that champions a cause (be it charitable or health-focused) is a smart move. Just make sure it is authentic and unforced.

Don't ignore ecommerce. Even if your revenue skews toward in-person sales now, ecommerce needs to be included in your overall business strategy. This should include sales on owned properties as well as 3rd party retailers, like Amazon.

Simplify, simplify, simplify. Buyers want to know what is in their food and beverages, and they want to understand it. However, with such a recent prevalence of simple ingredients, recipes are harder to keep proprietary—another reason why your branding is so important.

Zero in on your differentiator. Sure, this may sound like Marketing 101, but clearly communicating what makes your food & beverage product different goes a long way into the minds of today's consumers, who are craving differentiation.

Know your target consumer. Are you in touch with what your audience is saying? What they care about? How they feel about your product? Whether via surveys, social media listening, or website metrics, gaining insight into your customers will help inform a winning strategy.

Ready to Push Your Brand Forward?

Push10 is a creative agency with a finger on the pulse of the food & beverage industry. Let's put these insights into action.

TELL US ABOUT YOUR GOALS

SOURCES

- 1 <https://www.foodbusinessnews.net/articles/15624-food-industry-braces-for-coronavirus-impacts>
- 2 <https://www.foodbusinessnews.net/articles/15624-food-industry-braces-for-coronavirus-impacts>
- 3 <https://www.fda.gov/news-events/press-announcements/coronavirus-covid-19-supply-chain-update>
- 4 <https://www.restaurantbusinessonline.com/marketing/popeyes-has-already-won-sandwich-war>
- 5 <https://www.vox.com/the-goods/2019/5/29/18644354/chick-fil-a-anti-gay-donations-homophobia-dan-cathy>
- 6 <https://www.newyorker.com/culture/annals-of-gastronomy/the-popeyes-chicken-sandwich-is-here-to-save-america>
- 7 https://www.edelman.com/sites/g/files/aatuss191/files/2018-10/2018_Edelman_Earned_Brand_Global_Report.pdf
- 8 <https://www.theguardian.com/environment/2018/may/31/avoiding-meat-and-dairy-is-single-biggest-way-to-reduce-your-impact-on-earth>
- 9 <https://www.entrepreneur.com/article/333960>
- 10 <https://www.theheinencompany.com/sustainability/focus-areas/sourcing-sustainably>
- 11 <https://www.cnn.com/2019/06/27/business/impossible-burgers-beyond-meat/index.html>
- 12 <https://foodinsight.org/wp-content/uploads/2018/05/2018-FHS-Report-FINAL.pdf>
- 13 <https://www.mckinsey.com/~media/McKinsey/Industries/Paper%20and%20Forest%20Products/Our%20Insights/Winning%20with%20new%20models%20in%20packaging/No-ordinary-disruption-Winning-with-new-models-in-packaging-2030-vF.ashx>
- 14 <https://info.sana-commerce.com/rs/908-SKZ-106/images/wp-foodbeverage-final.pdf>
- 15 <https://www.businesswire.com/news/home/20171207005675/en/E-Commerce-Fastest-Growing-Global-Retail-Channel-2022>
- 16 <https://www.mrnetwork.com/articles/industry-articles/the-role-of-e-commerce-in-the-food-and-beverage-industry/>
- 17 <https://www.mckinsey.com/~media/McKinsey/Industries/Paper%20and%20Forest%20Products/Our%20Insights/Winning%20with%20new%20models%20in%20packaging/No-ordinary-disruption-Winning-with-new-models-in-packaging-2030-vF.ashx>
- 18 <https://foodinsight.org/wp-content/uploads/2018/05/2018-FHS-Report-FINAL.pdf>
- 19 <https://www.psychologytoday.com/us/blog/secrets-the-moneylab/201009/trader-joes-where-less-is-more>
- 20 <https://rsmus.com/what-we-do/industries/consumer-products/food-and-beverage/top-trends-for-food-and-beverage-industry-businesses.html>
- 21 https://en.wikipedia.org/wiki/Camera_eats_first
- 22 <https://press.opentable.com/news-releases/news-release-details/opentable-study-reveals-rise-solo-dining>
- 23 <https://www.fdfworld.com/top10/top-10-food-and-beverage-trends-watch-out-2019>
- 24 <https://www.betterretailing.com/products/alcohol/treasury-wine-estates-extends-19-crimes-range-with-cabernet-sauvignon/>